GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2444
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Price of Crude Oil
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the details of crude oil prices in the international market during the last two years and the current year;
(b) the cost of production of crude oil per barrel for ONGC and Oil India Limited vis-a-vis private sector exploration and production companies and other oil companies across the world along with the steps taken by the Government to reduce the cost of production of crude oil by public sector oil companies;
(c) whether the cost of petroleum products are fixed on the basis of the price of crude oil in the international market and if so, the details thereof along with formula to fix the cost of production of petroleum products including petrol, diesel, LPG etc., product-wise;
(d) whether ninety per cent cost is incurred to manufacture petrol and diesel after refining crude oil and if so, the details thereof along with the procedures followed in the above process;
(e) whether the cost during the process of refining is not estimated/calculated separately and if so, the details thereof and the reasons therefor along with the reaction of the Government thereto; and
(f) the steps taken to bring down the prices of petrol at par with diesel to discourage the use of non-commercial diesel vehicles to curb the pollution level?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM AND NATURAL GAS
(SHRI DHARMENDRA PRADHAN)
(a): The average price of Indian basket of crude oil during the last 2 years and the current year are given below:
2014-15
2015-16
2016-17
(up to 25.7.2016)
$/bbl
84.16
46.17
44.01
Note - The Indian basket of crude oil represents a derived basket comprising of sour grade (Oman & Dubai average) and sweet grade (Brent Dated) of crude oil processed in Indian refineries in the ratio of 71.03:28.97 during 2015-16 (for 2016-17).
(b): Cost of Production of crude oil of ONGC/OIL and Private Sector Production and Exploration companies (excluding levies) is as under:
(US$/bbl)
Field/Year
2013-14
2014-15
ONGC(exl JV)
20.85
19.62
OIL(exl JV)
15.29
15.64
Ravva
Offshore
9.53
17.08
Panna & Mukta
Offshore
14.63
16.85
CB OS 2
Offshore
18.98
17.19
RJ ON-90/1
Offshore
15.54
19.07

Production cost of some of the leading International oil companies as available in public domain is given below:

Company	Production Cost (in USD/bbl)
BHP Billiton Group	13.39
BP p.i.c.	19.23
Chevron Corporation	21.30
Conoco Philips	22.86
Exxon Mobil Corporation	17.08

Source: Ernst & Young's US oil and gas reserves study 2015

Steps taken by public sector oil companies to reduce the cost of production of crude oil are:-

i. Reduce operating cost, maximise utilization of resources, reduce equipment & technological obsolescence.

ii. Cost effective rig operations with minimum non-productive time and liquidation of more sick wells with better rig fleet utilisation.

iii. Implementation of advance technologies like multi stage Hydro-fracturing, expandable casing, casing with drilling, swell packer, high performance mud system, stimulation techniques etc.

iv. Boosting R&D with focus on technology scouting and assimilation.

v. Improved Procurement Practices, enhanced collaboration with technology owners/providers-Tie ups for technology absorption.

vi. Reduce survey cost by Open tendering process in order to get the most competitive price.

vii. Improvement of safe operational practices alongwith skill enhancement through specialized trainings.

viii. Improving pipe line connectivity to stripper production installations to minimise transportation costs.

ix. Outsourcing of capital intensive services like coiled tubing operation and nitrogen pumping units.

(c): The prices of Petrol and Diesel have been made market determined by the Government effective 26th June, 2010 and 19th October, 2014 respectively. Since then, the Public Sector Oil Marketing Companies (OMCs) take appropriate decision on pricing of Petrol and Diesel in line with their international prices and other market conditions. The Government continues to modulate the effective price to consumer for Subsidized Domestic LPG and Retail Selling Price (RSP) of PDS Kerosene. Public Sector OMCs are at present applying Trade Parity Pricing methodology to compute the Retail Selling Price (RSP) of Petrol and Diesel. Import Parity Price (IPP) is applied for pricing of PDS Kerosene and Domestic LPG.

(d) & (e): Refining of crude oil is a process industry, where crude oil constitutes around 90% of the total cost. Crude oil is processed through several processing units. Each of these units produces intermediate products streams, which require further reprocessing and blending. As it is difficult to apportion the total cost amongst individual refined products, product-wise costs are not identified separately.

(f): The difference in the Retail Selling Prices (RSP) of Petrol and Diesel in the country is mainly on account of lower taxes imposed by Central and State Government(s) on Diesel. As Diesel is used for bulk transportation, higher taxes on Diesel has a cascading effect on the inflation. Diesel has a weightage of 4.67 in the Whole Sale Price Index (WPI) and for each Rupee increase in Diesel price, the WPI index is estimated to increase by around 0.09%.

x-x-x-x-x